

E-002/M-89-795 SUSPENDING PROPOSED TARIFF

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Darrel L. Peterson	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Patrice Vick	Commissioner

In the Matter of Northern States Power  
Company's Proposed Area Development  
Rider

ISSUE DATE: April 4, 1990

DOCKET NO. E-002/M-89-795

ORDER SUSPENDING PROPOSED  
TARIFF

PROCEDURAL HISTORY

On September 18, 1989, Northern States Power Company (NSP or the Company) filed a proposal for an Area Development Rider (ADR). On December 28, 1989, NSP filed a modified version of the Area Development Rider, along with supplemental information.

On January 17, 1990, the Residential Utilities Division of the Office of the Attorney General (RUD-OAG) filed Comments. On February 1, 1990, the Department of Public Service (the Department) filed a Report of Investigation and Recommendation. NSP filed Reply Comments on February 21, 1990.

In addition to these filings, the Commission received sixteen letters in support of the ADR from other interested parties, including, among others, the St. Paul and Minneapolis Area Chambers of Commerce and the Office of the Mayor of Minneapolis and of St. Paul.

The matter came before the Commission on March 13, 1990.

FINDINGS AND CONCLUSIONS

NSP has proposed its Area Development Rider as a means of stimulating redevelopment of economically depressed geographical locations within its service area.

NSP has proposed its ADR as a two year pilot program. Under the proposed ADR, NSP would provide a discount on certain customers' demand charges for a period of five years. Targeted

customers would be in the manufacturing or wholesale class of trade, and would establish or expand operations in designated "Area Development Zones". For the purposes of the pilot program, these zones would be limited to two specified areas in St. Paul and two specified areas in Minneapolis. NSP identified these four areas in consultation with planning and development officials from each city. The proposed demand discount would be 50 per cent for the first three years of the five year period, falling to 30 per cent and 20 per cent for the fourth and fifth years respectively.

In their filings, both the Department and the RUD-OAG expressed opposition to the proposed ADR. The Department questioned the legality of the proposal, reasoning that the ADR would constitute intraclass discrimination. The Department also stated, among other things, that the proposed ADR would not be beneficial to ratepayers or the environment.

In its comments, the RUD-OAG wrote that NSP's proposal is unreasonably discriminatory. The RUD-OAG also raised other points, including its opinion that the ADR is inconsistent with Minnesota law and would harm existing NSP customers.

Both the Department and the RUD-OAG noted that the Minnesota legislature is currently considering legislation regarding area development rates. The bill pending in the legislature, if passed into law, would require the Commission to order at least one utility to establish a pilot program that offers an area development rate.

The Commission favors the concept of economic development. The Commission recognizes that an area development rider may prove to be a useful means of revitalizing stagnant or decaying city areas. The concerns raised by the sixteen organizations who supported NSP's ADR were carefully considered by the Commission. At this time, however, when direction from the legislature may resolve valid concerns regarding legality and fairness, it is premature to sanction NSP's pilot program.

Because the legislature is currently considering a bill regarding area development rates and a pilot program, some clear cut direction may soon be provided. If the area development rate bill is passed into law, the resulting statute should provide guidelines for choice of targeted zones, rates to be applied, and classes of customers to be provided discounts. It would also put to rest concerns of legality which the Commission shares with the Department and the RUD-OAG.

If the pending area development rate bill does not pass into law, the Commission will determine the legality and fairness of NSP's proposal without specific legislative guidance. This would be a perfectly appropriate exercise of Commission discretion. It is

in the best interests of the parties and ratepayers, however, that the Commission suspend the proposed tariff until it is clear if statutory guidance will be provided.

ORDER

1. NSP's proposed tariffs included in its Area Development Rider are hereby suspended for no more than 60 days from the date of this Order, pending completion of current legislation concerning area development rates, and pending final Commission deliberation of this matter.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Lee Larson  
Acting Executive Secretary

(S E A L)